ASX Release

23 August 2013

BWF
30 June 2013 – Full Year Result

The Company's financial statements for the year ended 30 June 2013 are attached to this release.

Dividend

The Board has declared a **fully franked dividend of 0.6 cents per share** to be paid on 31 October 2013 with a record date of 18 October 2013.

Review of Operations

BlackWall earns management income from a commercial, retail and industrial property portfolio. Our fee income is calculated by reference to rent received (property management fees) and asset values (fund management fees).

Over the past four years we have secured opportunities in over $150 million of distressed real estate structures or development assets. Often our management fees have been taken in equity and we have co-invested directly in the ownership structures. Effectively we have used our balance sheet to secure deep value opportunities that, over time, should generate recurring management fees and investment returns.

As a consequence we hold approximately $4.7 million of such "active investments". We have made significant revenue and operational improvements at the property level, which in time, we expect to see reflected in value growth.

Profit & Loss Summary	**2013**	**2012***
Management	$5,380,000	$5,202,000
Investment	$441,000	$392,000
Operating Income	**$5,821,000**	**$5,594,000**
Expenses	($4,232,000)	($4,586,000)
EBITDA	**$1,589,000**	**$1,008,000**
Asset Sales, Impairment & Revaluations	$1,531,000	($3,379,000)
Interest, Depreciation and Tax	($798,000)	($672,000)
After Tax Profit	**$2,322,000**	**($3,043,000)**
Earnings Per Share	**$0.04**	**($0.06)**

**Restated to be like for like with 2013.*

Balance Sheet Summary	2013	2012
Cash & Receivables	$2,440,000	$2,322,000
Investments:		
Active Investments	$4,678,000	$2,412,000
Other Investments	$5,406,000	$5,284,000
Plant & Equipment	$503,000	$683,000
Intangibles	$374,000	$374,000
Liabilities	($2,350,000)	($1,843,000)
Net Assets	**$11,051,000**	**$9,232,000**
NTA per share	**$0.21**	**$0.17**

Later this year the BlackWall Storage Fund will wind up having run its full term of seven years. This fund commenced in 2006 and has generated cash distributions of not less than 10% per annum (13% for the full year to June 2013). The wind up process has commenced and we expect that on termination the total fund IRR will be over 14%. This will also generate a performance fee in excess of $1 million to BlackWall.

Please refer to the Directors' report included in the attached full year financial statements for updates on each of our investment funds. In addition, the full year result for our listed trust P-REIT (ASX Code: PXT) was released on 20 August 2013.

Buy Back

On 29 February 2012 BlackWall announced a buy back of its shares, which was extended for a further 12 months on 22 February 2013. BlackWall has bought back and cancelled a total of 930,576 shares at a weighted average price of 13 cents per share. This brings the total shares on issue to 50,395,445.

More Information

For more information, contact Stuart Brown (Chief Executive Officer) or Tim Brown (Chief Financial Officer) on +61 2 9033 8611.

Stuart Brown
Chief Executive Officer

BlackWall Property Funds

& Controlled Entities

ACN 146 935 131 **ABN** 37 146 935 131

Consolidated Annual Financial Report

Year Ended 30 June 2013

BlackWall Property Funds

Financial Report

The Directors of BlackWall Property Funds Limited ("BlackWall" or "the Company") and its controlled entities ("the Group") present their report together with the consolidated annual financial report ("financial statements") for the year ended 30 June 2013.

Principal Activities and Review of Operations

The Group is a vertically integrated property funds management business. We earn management income from a commercial, retail and industrial property portfolio. Our fee income is calculated by reference to rent received (property management fees) and asset values (fund management fees).

Over the past four years we have secured opportunities in over $150 million of distressed real estate structures or development assets. Often our management fees have been taken in equity and we have co-invested directly in the ownership structures. Effectively we have used our balance sheet to secure deep value opportunities that, over time, should generate recurring management fees and investment returns.

As a consequence we hold approximately $4.7 million of such "active investments". We have made significant revenue and operational improvements at the property level, which in time, we expect to see reflected in value growth.

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Principle Activities and Review of Operations (continued)

Set out below is a brief update of BlackWall's key activities.

P-REIT (ASX: PXT)

P-REIT is an ASX listed property investment trust. At 30 June 2013 P-REIT had gross assets of $120.7 million with net assets (including litigation provisions) of $50 million (24 cents per unit). To 30 June 2013 P-REIT generated a normalised net profit of $4.6 million, that is, excluding "one–off" litigation costs, unrealised movements in asset values, and non-cash accounting entries such as depreciation, straight lined lease income and interest rate hedges mark to market.

Since 30 June 2012 bank debt has reduced by just over $7 million including the most recent repayment of $1 million in early August 2013. This brings bank debt to $48.5 million. The Trust's facility is now within covenant and it no longer pays default interest rates.

For more information on P-REIT and its results please refer to its annual report which was released to the ASX on 20 August 2013.

BlackWall Storage Fund

The fund is a property investment trust controlling three self-storage assets located in the ACT region. The fund commenced in 2006 and has generated cash distributions of not less than 10% per annum (13% for the full year to June 2013). The fund has reached its maturity date and we have commenced the wind up process. If the wind up proceeds at the value we expect the total fund IRR will be over 14%. This will also generate a performance fee in excess of $1 million to BlackWall.

BlackWall Telstra House Trust

The trust is a single asset property syndicate controlling a commercial office building, known as Telstra House, located on Northbourne Avenue in Canberra. The trust is capitalised by an off shore investment syndicate along with local retail and sophisticated investors. The building is leased to Telstra. Earlier this year Telstra announced its intention to relocate its operations from Telstra House from early 2014, despite its lease expiring 30 November 2018. As a consequence the trust has significant lead time to work with Telstra's sub-leasing agent to re-lease the building whilst evaluating development opportunities. The Trust's bank debt is $18.8 million following repayments of $700,000 in the 2013 financial year. Trust distributions for the 2013 financial year equated to a 9.5% return.

Bakehouse Quarter

The Bakehouse Quarter is a large scale mixed use property located in North Strathfield, Sydney. The project comprises over 40,000 sqm of commercial, retail and entertainment space leased to tenants including Arnott's Campbell Soups, NRMA, Aldi, Fitness First, AMF Bowling and a restaurant precinct. BlackWall provides fund, asset and debt management to the wholesale investment trust that owns the property (known as the Kirela Development Unit Trust) and is also the responsible entity of the Bakehouse Quarter Trust (BQT). BQT is a retail investment trust that holds roughly 9% of Kirela's ordinary equity.

BlackWall Penrith Fund No. 2

The fund is a property investment trust capitalised by two institutional investors and small number of retail investors. The trust has an interest in a bulky goods retail property located on Mulgoa Road, Penrith. The investment structure has been in place since 2002 and has made investor distributions of not less than 8.75% per annum. Tenants include Toys R Us, Boating Camping Fishing and Barbeques Galore. Recently, lease agreements were completed with a childcare operator (20 year term) and a restaurant (10 year term). The restaurant is refurbishing the premises with a view to commencing operations in September and we are progressing the town planning consent for the childcare centre.

WRV Unit Trust

The fund is a property investment trust capitalised by a small group of institutional and sophisticated investors. The trust has an interest in The Woods Action Centre, an entertainment precinct in Villawood, Sydney. Tenants include AMF Bowling, Sydney Indoor Climbing Gym and Chipmunks Play Centre. An agreement for lease has been entered into with a childcare operator for a 20 year term and a town planning application has been lodged. In addition development approval has been granted for the construction of approximately 330 sqm of food and beverage premises.

Tankstream Funds Management Limited

BlackWall's businesses assumed control of Tankstream in late 2009. This business consisted of the fund management rights to two managed investment schemes, then known as, Tankstream Pub Fund (Pub Fund) and Tankstream Property Investments Fund (TPIF).

At the time our business gained control, Tankstream and its funds were under severe financial pressure. TPIF, a property securities fund, was struggling to pay interest and unable to sell assets to reduce debt. Following our restructure of its portfolio, today all interest is paid and debt has reduced from $5 million to $2.4 million.

The Tankstream Pub Fund was in a similar position. On taking control, BlackWall negotiated with the Pub Fund's bankers, completed a merger with another pub fund and sold a number of smaller assets. In addition BlackWall appointed Pelathon Management Group (a specialist pub manager, in which BlackWall has 10% ownership) to manage day-to-day pub operations.

Recently a meeting of Pub Fund members approved a series of transactions including:

1. Pelathon purchasing management rights to the fund from BlackWall for consideration of $530,000 with BlackWall maintaining an overseeing role as responsible entity;
2. The sale of one of the fund's smaller assets (which is leased to a third party pub operator) to a new syndicate (capitalised by Pub Fund unitholders) managed by BlackWall; and
3. A rights issue to be partially underwritten by Pelathon.

BlackWall and Pelathon are working through completion of these transactions over the coming six weeks.

Distressed Debt Mandates

Although our focus is on assets and structures that we control, we do undertake third party management, development and funding assignments where we see an opportunity to participate in ownership structures. In this regard BlackWall acts as asset manager on behalf of two financiers who have taken control of approximately $95 million of real estate.

WT Serviced Offices

BlackWall operates over 2,100 sqm of serviced offices in Neutral Bay and at the Bakehouse Quarter in North Strathfield under the brand WT Serviced Offices (www.wtservicedoffices.com.au). In the full year ended 2013 this operation contributed over $110,000 to our EBITDA. We are evaluating a number of opportunities to grow this part of our business.

Dividends

A fully franked dividend of 0.5 cents per share was paid on 31 October 2012 and 28 March 2013 respectively. In addition, the Board has declared a fully franked dividend of 0.6 cents per share to be paid on 31 October 2013.

Significant Changes in Affairs

There were no significant changes to the state of affairs of the Group during the financial year.

Events Subsequent to Reporting Date and Likely Developments

On 8 July 2013, the Company purchased a further 625,000 ordinary shares under its buy back scheme at 14.5 cents per share. The consideration was deducted from ordinary shareholder equity and there are now 50,395,445 shares.

To the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the year that have materially affected or may materially affect the Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

Contingencies

The Group in its capacity as investment manager of the BlackWall Storage Fund ("BSF") is entitled to a performance fee based on the uplift in BSF's underlying properties. The fee is payable on expiry of BSF in October 2013. Current property valuations will result in a performance fee in excess of $1 million payable to BlackWall and its subsidiaries.

Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Information on Directors

The names of the Directors in office at any time during or since the end of the year are set out below. Unless otherwise stated, Directors have been in office since the beginning of the financial year to the date of these financial statements. The Board has looked to achieve a board membership that includes a mix of skills, experience and technical expertise that is best suited to the business.

Information on Directors (continued)

Name and Position	Special Experience
Richard Hill Non-Executive Director and Chairman	Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in the Group's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with Hong Kong & Shanghai Banking Corporation (HSBC). He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. He is the Chairman of Calliden Group Limited and Sirtex Medical Limited (both listed on the ASX) and a Director of Biota Pharmaceuticals Inc. (listed on NASDAQ). In addition Richard is Chairman of the Westmead Millennium Institute for Medical Research. Previously, Richard was an Independent Non-Executive Director of the then ASX listed Pelorus Property Group Limited.
Joseph (Seph) Glew Non-Executive Director	Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 30 years. In addition, since the early 1990s Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners. While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980s he served as an Executive Director with New Zealand based property group Chase Corporation and as a non-executive director with a number of other listed companies in New Zealand and Australia. Seph is Chairman of Pelorus Private Equity Limited (an unlisted public company), a position he held when that entity traded on the ASX under the name Pelorus Property Group Limited.
Robin Tedder Non-Executive Director	Robin has 37 years' experience in investment and financial markets. He has been an investor in BlackWall's projects since 1997. Robin is the Chairman of Vintage Capital Pty Ltd, an investment company with interests in property, wealth management, logistics and healthcare. He is a former member of the ASX and has served on the boards of several investment banks in Australia and overseas. He is a Director of Probiotec Ltd (a pharmaceutical manufacturing company listed on the ASX) and a Director of the retailer, Italtile Australia Pty Ltd. Robin is also a Fellow of the Financial Services Institute of Australasia. Robin is a Non-Executive Director of Pelorus Private Equity Limited, a position he held when it traded on the ASX under the name Pelorus Property Group Limited.

Information on Directors (continued)

Name and Position	Special Experience
Stuart Brown Executive Director and Chief Executive Officer	Stuart has been involved in property investment for over 15 years. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with over a half a billion dollars in value. In his earlier career, Stuart practised as a solicitor in the areas of real estate, mergers and acquisitions and corporate advisory with Mallesons and Gilbert + Tobin. Stuart is also a Director of the unlisted public company, Pelorus Private Equity Limited, and an independent Director of Coogee Boys' Preparatory School.

Don Bayly is the Company Secretary. He has a Bachelor of Commerce and Administration degree from Victoria University. Don has over 20 years' compliance management experience.

Meeting Attendances

Director	Board Meetings
Meetings Held	5
Richard Hill	5
Seph Glew	5
Robin Tedder	5
Stuart Brown	5

Directors' Relevant Interests

Director	Shares	Shares (%)
Richard Hill	1,643,686	3.26
Seph Glew	6,274,495	12.45
Robin Tedder	7,021,657	13.93
Stuart Brown	680,230	1.35

Options

There were no options granted during the year ended 30 June 2013.

Environmental Regulation and Performance

The Group's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or a Territory other than those that pertain to the ownership and development of real estate.

Measurable Objectives For Achieving Gender Diversity

While being committed to employing people on best fit for the job based on ability, performance and potential, our goal is to build a workforce that reflects the diversity of the communities in which we operate. This means creating a work environment where employee differences such as gender, age, culture, disability and lifestyle choice are valued.

	Female (No. of people)	Female (%)	Male (No. of people)	Male (%)
Board	0	0	4	100
Executive Management	2	50	2	50
Other	5	56	4	44

Indemnities of Officers

During the financial year the Group has paid premiums to insure each of the Directors named in this report along with Officers of the Group against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Group, other than conduct involving a willful breach of duty.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor to the Group.

Non-audit Services

Amounts paid to the auditor for non-audit services during the year are detailed at Note 23 of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in these financial statements.

Auditor

ESV Chartered Accountants continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of Amounts

The Group is a group of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report (Audited)

The Board is responsible for determining the Chief Executive Officer and Senior Executives' remuneration. The Non-Executive Directors and Chief Executive Officer determine employees' remuneration.

When determining the remuneration of the Chief Executive Officer, Senior Executives and employees, the following is taken into consideration:

- Remuneration is aligned with the delivery of returns to shareholders;
- Responsibilities, results, innovation and entrepreneurial behaviour are recognised and rewarded; and
- The Group's financial position and market conditions.

The Board members have service agreements with the Group. The remuneration payable under each service agreement is subject to review each year by the Board. There are no performance conditions within the service agreements for Board members or contracts for Senior Executives. Any performance payments are at the discretion of the Board.

The nature and the amount of each element of remuneration for key management personnel (Board of Directors and Tim Brown, Chief Financial Officer) is as follows:

Remuneration for the year ended 30 June 2013

	Short Term		Post Employment	
	Directors' Fees $'000	Salary and Other $'000	Superannuation $'000	Total $'000
Richard Hill	85	-	-	85
Seph Glew	75	-	-	75
Robin Tedder	75	-	-	75
Stuart Brown	-	321	29	350
Tim Brown	-	190	17	207
TOTAL	**235**	**511**	**46**	**792**

Note: There was no remuneration provided to key management personnel for consulting, post employment retirement benefits, long term incentive plans or long term service.

Signed in accordance with a resolution of the Board of Directors.

Stuart Brown
Director
Sydney, 23 August 2013

esv chartered accountants

Level 18, City Centre,
55 Market Street, Sydney NSW 2000
T +61 2 9283 1666 F +61 2 9283 1866
E admin@esvgroup.com.au
www.esvgroup.com.au

Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2013, there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 22nd day of August 2013.

ESV

ESV Chartered Accountants

Chris Kirkwood
Partner

The Board of Directors of BlackWall is responsible for the corporate governance of the Group. Good corporate governance is a fundamental part of the culture and business practices of BlackWall. The Board has adopted comprehensive systems of control and accountability as the basis for administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Group's needs. To the extent they are applicable and appropriate for a company of BlackWall's size and nature, the Group has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations Second Edition" and "Summary Table of the 30 June 2010 Changes to Second Edition of the Corporate Governance Principles and Recommendations".

Principle No	Recommendation	Compliance	Reason for Non-compliance
Principle 1: Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.	BlackWall operates with a flat management structure. The Executive Director is involved in the day-to-day operations of the business. Decisions at the Board level and the assessment of executive performance are based on reports received from the Executive Director and the consideration of issues by Executive, Non-Executive and Independent Directors at meetings. The Board has adopted a formal Board Charter setting out the responsibilities of the Board. This Charter can be accessed at the Group's website.	Comply.
1.2	Disclose the process for evaluating the performance of Senior Executives.	The Remuneration Committee (or full Board in absence of Remuneration Committee) will oversee the performance evaluation of the executive team. This is based on criteria, including the business performance of the Group, whether strategic objectives are being achieved and the development of management and personnel. Performance reviews of Senior Executives have taken place during the reporting period and they are in	Comply.

Principle No	Recommendation	Compliance	Reason for Non-compliance
		accordance with the process above	
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	The Board Charter can be accessed from the Group's website.	Comply.
Principle 2: Structure the Board to add value			
2.1	A majority of the Board should be Independent Directors.	The Board has considered the guidance to Principle 2: Structure the Board to Add Value and in particular, Box 2.1, which contains a list of "relationships affecting independent status". Currently the Group has one Independent Director, Mr Richard Hill, who is also the Chairman, and three Non-Independent Directors, Mr Brown, who acts in an executive capacity, and Mr Glew and Mr Tedder who act in a non-executive capacity.	The Directors monitor the business affairs of the Group on behalf of shareholders with a specific focus on the profitability of business activities and the efficiency of its managers. In keeping with this consideration, Board positions are held by a majority of members who are significant shareholders and its Chairman is a significant shareholder. BlackWall has not therefore adopted recommendations 2.1 and 2.2 of the ASX Corporate Governance Council. The Board is structured to ensure the efficient interaction between the Board and management. The Board's primary focus is on driving returns to shareholders by growing Net Tangible Assets and earnings per share over the long term. The Board considers risk management and the ethical conduct of business.
2.2	The Chair should be an Independent Director.	The Chairman, Mr Richard Hill, is an Independent Director.	Comply.
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	The Group's Chairman and Chief Executive Officer is not the same person.	Comply.
2.4	The Board should establish a Nomination Committee.	The Group currently does not have a separate Nomination Committee. The roles and	The Board considers that no efficiencies or other benefits would be gained by

Principle No	Recommendation	Compliance	Reason for Non-compliance
		responsibilities of a Nomination Committee are currently undertaken by the full Board. This charter can be accessed at the Group's website.	establishing a separate committee. BlackWall has not, therefore, adopted Recommendation 2.4 of the ASX Corporate Governance Council. The Board has adopted a Board Charter which it applies, as relevant.
2.5	Disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	The full Board will arrange an annual performance evaluation of the Board, its Committees and individual Directors.	Comply.
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	The skills, experience and expertise relevant to the position held by each Director will be disclosed in the Directors' Report, which forms part of the financial statements. The Board consists of one Independent Director and three Non-Independent Directors. The Directors are entitled to take independent professional advice at the expense of the Group. The period of office held by each Director will be disclosed in the Directors' Report which forms part of the financial statements. A statement will be included in the Directors' Report of the financial statements as to the mix of skills and diversity that the Board is looking to achieve in its membership.	Comply.
Principle 3: Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the Group's integrity;	The Group has adopted a Code of Conduct, which can be accessed at the Group's website.	Comply.

Principle No	Recommendation	Compliance	Reason for Non-compliance
	• The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually the objectives and the progress in achieving them.	The Group has adopted a Diversity Policy which can be accessed at the Group's website.	Comply.
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.	The information will be disclosed in the Directors' Report of the Group's financial statements.	Comply.
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board.	The information will be disclosed in the Directors' Report of the Group's financial statements.	Comply.
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	The information will be disclosed in the Directors' Report of the Group's financial statements.	Comply.
Principle 4: Safeguard integrity in financial reporting			
4.1	The Board should	The Group currently has a	Comply.

Principle No	Recommendation	Compliance	Reason for Non-compliance
	establish an Audit Committee.	separate Audit Committee. The roles and responsibilities of the Audit Committee are set out in the Audit Committee Charter. This charter can be accessed at the Group's website.	
4.2	The Audit Committee should be structured so that it: • Consists only of Non-Executive Directors; • Consists of a majority of Independent Directors; • Is chaired by an independent chair, who is not chair of the Board; • Has at least three members.	The Audit Committee consists of two members – Non-Executive Directors Mr Tedder and Mr Glew. The Audit Committee is chaired by Mr Tedder.	Given the composition of the Board and the size of the Group, Recommendation 4.2 is not complied with in all respects. Mr Tedder is arguably if not technically independent, in possession of the necessary experience for the position. The Board takes the view that the Committee as constituted can discharge its role effectively without the undue expense of appointing three members and an independent chairman.
4.3	The Audit Committee should have a formal charter.	The formal charter can be accessed at the Group's website.	Comply.
4.4	Provide the information in the Guide to reporting on Principle 4.	The Audit Committee will meet at least twice in each year, before sign off of the annual and half-year financial statements.	Comply.
Principle 5: Make timely and balanced disclosure			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements, ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.	The Group will undertake timely market disclosures. The Chief Executive Officer in consultation with the Board will manage investor relations and the release of market sensitive information. The Group will maintain a timetable for its compliance and periodic disclosure requirements.	Comply.
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The continuous disclosure information will be available on the Group's website. The information will be disclosed in the financial	Comply.

Principle No	Recommendation	Compliance	Reason for Non-compliance
		statements.	
Principle 6: Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communications with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Group has adopted a Shareholder Communications Strategy which can be accessed at the Group's website.	Comply.
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information will be disclosed in the financial statements.	Comply.
Principle 7: Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	The Group has adopted a Risk Management Policy. This Policy outlines the key material risks faced by the Group as identified by the Board.	Comply.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed efficiently. The Board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.	The Board has delegated to the Audit Committee responsibility for implementing the risk management system, while the responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management.	Comply.
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance	The Board will receive assurance in the form of a declaration from the Chief Executive Officer and the Chief Financial Officer as required by the Corporations Act 2001.	Comply.

Principle No	Recommendation	Compliance	Reason for Non-compliance
	with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.		
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information will be disclosed in the financial statements.	Comply.
Principle 8: Remunerate fairly and responsibly			
8.1	The Board should establish a Remuneration Committee.	The Group has not established a separate Remuneration Committee. The roles and responsibilities of a Remuneration Committee are currently undertaken by the full Board.	The Board actively encourages and promotes efficiency, innovation and entrepreneurialism. Senior management meetings are held weekly to discuss issues and opportunities. The Chief Executive Officer and Senior Executives are remunerated on the basis of the Board's consideration of the employees' responsibilities and performance, the Group's financial position and market conditions. The role of the Remuneration Committee is carried out by the full Board. The Board considers that no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee.
8.2	The Remuneration Committee should be structured so that it: • Consists of a majority of Independent Directors; • Is chaired by an Independent Director; and	The Group has not established a separate Remuneration Committee. The roles and responsibilities of a Remuneration Committee are currently undertaken by the full Board.	Refer 8.1

Principle No	Recommendation	Compliance	Reason for Non-compliance
	• Has at least three members.		
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.	The structure of Non-Executive Directors' remuneration will be clearly distinguished from that of Executive Directors and Senior Executives, in the Directors' Report, which will form part of the financial statements.	Comply.
8.4	Provide the information indicated in the Guide to reporting on Principle 8.	The information will be disclosed in the financial statements.	Comply.

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The shareholder information set out below was current as at 22 August 2013.

1. Shareholders

The Company's top 20 largest shareholdings were:

	Investor	Ordinary Shares (No.)	Shares (%)
1	Vintage Capital Pty Limited	5,222,186	10.36
2	Lymkeesh Pty Ltd	4,225,130	8.38
3	Seno Management Pty Ltd ATF Seno Superannuation Fund	3,670,000	7.28
4	Sandhurst Trustees Ltd ACF MacarthurCook PSF A/C	2,762,000	5.48
5	Pelorus Private Equity Ltd	2,650,000	5.26
6	IHOP Pty Ltd ATF Keppel Investments Unit Trust	2,004,485	3.98
7	Koonta Pty Ltd ATF Koonta Superannuation Fund	1,649,470	3.27
8	Kirela Pty Ltd	1,464,581	2.91
9	Sao Investments Pty Ltd	1,428,262	2.83
10	Pinnatus Pty Ltd	1,141,088	2.26
11	Mcmullin Nominees Pty Ltd	1,098,713	2.18
12	Benyaya Holdings Pty Ltd	1,086,750	2.16
13	Mr Richard Hill ATF Richard Hill Superannuation Fund	873,604	1.73
14	Methuselah Capital Management Pty Ltd <Feldman Family A/C>	805,412	1.60
15	Glenahilty Pty Limited	772,088	1.53
16	I P R Nominees Pty Ltd <1965 Irvin Peter Rockman A/C>	755,781	1.50
17	Tampopo Pty Ltd	754,082	1.50
18	Seno Management Pty Limited	675,000	1.34
19	J P Morgan Nominees Australia Limited	674,601	1.34
20	Frogstorm Pty Ltd <The Rockahula AC>	530,223	1.05

2. Distribution of Shareholders

The distribution of shareholders by size of holding was:

Category	No. of Shareholders
1-1,000	457
1,001-5,000	466
5,001-10,000	251
10,001-100,000	232
100,001 and over	52
Total number of shareholders	**1,458**

BlackWall has 673 holders of less than a marketable parcel. The Company has 50,395,445 ordinary shares on issue as at 22 August 2013. All shares carry one vote per share without restrictions. All shares are quoted on the Australian Securities Exchange (ASX Code: BWF).

3. Substantial Shareholders

Substantial shareholders in the Company are set out below:

Investor	Shares (No.)	Shares (%)
Robin Tedder	7,021,657	13.93
Joseph (Seph) Glew	6,274,495	12.45
Paul Tresidder	6,218,237	12.34
IHOP Pty Ltd ATF Keppel Investments Unit Trust	3,374,409	6.70
Sandhurst Trustees Ltd ACF MacarthurCook PSF A/C	2,762,000	5.48
Pelorus Private Equity Ltd	2,650,000	5.26

The Group's details are as follows:

Registered Office	Level 1, 50 Yeo Street Neutral Bay NSW 2089
Principal Place of Business	Level 1, 50 Yeo Street Neutral Bay NSW 2089
Telephone	02 9033 8611
Fax	02 9033 8600
Website	www.blackwallfunds.com.au
Registry	Computershare Investor Services Pty Limited 60 Carrington Street, Sydney, NSW 2000 www.computershare.com.au Telephone: 02 8234 5000

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2013

	Note	2013 $'000	2012 $'000
Fund and asset management income		2,666	2,746
Property management income		1,837	2,073
Serviced office income		1,070	787
Investment income		331	376
Unrealised gain on revaluation of financial assets		996	-
Gain on disposal of management rights		-	530
Other income		120	26
Total Revenue	4(a)	**7,020**	**6,538**
Business operating expenses	5	(4,367)	(4,891)
Depreciation	5	(220)	(260)
Finance costs	5	(49)	(60)
Impairment	5	-	(3,877)
Loss on disposal of assets		-	(44)
Other expenses		(11)	(3)
Profit / (Loss) Before Income Tax		**2,373**	**(2,597)**
Income tax expense	6	(548)	(369)
Profit / (Loss) For the Year		**1,825**	**(2,966)**
Other Comprehensive Income / (Loss)			
Items that will be reclassified to profit or loss			
Unrealised gain / (loss) on available-for-sale investments	4(b)	535	(32)
Other Comprehensive Gain / (Loss) For the Year		**535**	**(32)**
Total Comprehensive Income / (Loss) For the Year		**2,360**	**(2,998)**
Profit / (Loss) Attributable To:			
Owners of the Group		1,787	(3,010)
Non-controlling interest		38	44
		1,825	**(2,966)**
Total Comprehensive Income / (Loss) Attributable To:			
Owners of the Group		2,322	(3,043)
Non-controlling interest		38	45
		2,360	**(2,998)**
Earnings / (Loss) Per Share			
Continuing operations:			
Basic and diluted earnings / (loss) per share	22	$0.04	($0.06)

The accompanying notes form part of these consolidated financial statements.

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Consolidated Statement of Financial Position

For the Year Ended 30 June 2013

	Note	2013 $'000	2012 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,077	1,162
Trade and other receivables	8	1,363	1,070
Other assets	9	-	40
Total Current Assets		2,440	2,272
Non-current Assets			
Trade and other receivables	8	-	50
Equity accounted investments	10	5	285
Financial assets	11	10,079	7,411
Property, plant and equipment	12	503	683
Deferred tax assets	13	-	60
Intangible assets	14	374	374
Total Non-current Assets		10,961	8,863
TOTAL ASSETS		**13,401**	**11,135**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	1,398	950
Current tax payable	16	137	261
Borrowings	17	250	425
Provisions	18	185	177
Total Current Liabilities		1,970	1,813
Non-current Liabilities			
Other payables	19	102	81
Deferred tax liabilities	13	243	-
Provisions	18	35	9
Total Non-current Liabilities		380	90
TOTAL LIABILITIES		**2,350**	**1,903**
NET ASSETS		**11,051**	**9,232**
EQUITY			
Share capital	20	11,338	11,367
Reserves		-	(92)
Accumulated losses		(433)	(2,151)
Parent Interest		10,905	9,124
Non-controlling interest		146	108
TOTAL EQUITY		**11,051**	**9,232**

The accompanying notes form part of these consolidated financial statements.

BlackWall Property Funds Limited and Controlled Entities

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Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2013

	Ordinary shares $'000	Retained earnings/ (accumulated losses) $'000	Foreign currency translation reserve $'000	Amounts recognised in equity relating to assets classified as available-for-sale $'000	Attributable to owners of the parent $'000	Non-controlling interest $'000	Total $'000
Balance at 1 July 2012	**11,367**	**(2,151)**	**-**	**(92)**	**9,124**	**108**	**9,232**
Profit for the year	-	1,787	-	-	1,787	38	1,825
Other comprehensive income	-	-	-	535	535	-	535
Change of accounting policies (*)	-	443	-	(443)	-	-	-
Dividend paid	-	(512)	-	-	(512)	-	(512)
Cancellation of shares	(29)	-	-	-	(29)	-	(29)
Balance at 30 June 2013	**11,338**	**(433)**	**-**	**-**	**10,905**	**146**	**11,051**
Balance at 1 July 2011	**11,286**	**859**	**1**	**(59)**	**12,087**	**100**	**12,187**
Transactions with non-controlling interest	-	-	(1)	-	(1)	(37)	(38)
Profit / (losses) for the year	-	(3,010)	-	-	(3,010)	44	(2,966)
Other comprehensive income/(loss)	-	-	-	(33)	(33)	1	(32)
Issue of shares	195	-	-	-	195	-	195
Cost of issuing shares	(114)	-	-	-	(114)	-	(114)
Balance at 30 June 2012	**11,367**	**(2,151)**	**-**	**(92)**	**9,124**	**108**	**9,232**

* Transfer from available-for-sale reserve to restate retained earnings / (accumulated losses) for the early adoption of AASB 9. See Note 1 relating to details of change of accounting policies.

The accompanying notes form part of these consolidated financial statements.

BlackWall Property Funds Limited and Controlled Entities

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Consolidated Statement of Cash Flows

For the Year Ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash Flows From Operating Activities			
Receipts from customers		5,534	6,991
Payments to suppliers and employees		(5,047)	(6,580)
Dividends and distributions received		229	277
Interest paid		(49)	(60)
Interest received		29	23
Income tax paid		(361)	(300)
Net Cash Flows From Operating Activities	25	**335**	**351**
Cash Flows From Investing Activities			
Proceeds from sale of investments		290	1,160
Acquisition of property, plant and equipment		(39)	(289)
Proceeds from sale of property, plant and equipment		-	20
Acquisition of other investments		-	(172)
Loans from related parties		55	1,605
Loan repayments to related parties		(10)	(2,252)
Net Cash Flows From Investing Activities		**296**	**72**
Cash Flows From Financing Activities			
Proceeds from issue of shares		-	195
Transaction costs for issue of shares		-	(114)
Repayment of borrowings		(175)	(25)
Payments for shares buy back		(29)	-
Dividend paid		(512)	-
Net Cash Flows From / (Used in) Financing Activities		**(716)**	**56**
Net Increase / (Decrease) in Cash Held		**(85)**	**479**
Cash and cash equivalents at the beginning of the year		1,162	675
Effect of exchange rates on cash holdings		-	8
Cash and Cash Equivalents at End of the Year	7	**1,077**	**1,162**

The accompanying notes form part of these consolidated financial statements.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Annual Financial Report

For the Year Ended 30 June 2013

1. Statement of Significant Accounting Policies

The financial statements cover BlackWall Property Funds Ltd ("the Company") and its Controlled Entities ("the Group"). BlackWall Property Funds Ltd is a publicly listed company, incorporated and domiciled in Australia.

The financial statements for the Group for the year ended 30 June 2013 were authorised for issue in accordance with the resolution of the Directors on 23 August 2013.

Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The Group is a group of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to *AASB 101 Presentation of Financial Statements* effective 1 July 2012 now require the statement of profit or loss and other comprehensive income to show the items of comprehensive income grouped in those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

Early adoption of standards

The Group has early adopted *AASB 9 Financial Instruments*, with effect 1 January 2013, as the Directors believe the revised accounting policy for fair value adjustments to the Group's investments more reliably presents the financial information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions in AASB 2012-6, comparative figures have not been restated. See Financial Instruments policy note below for further details on the impact of the change in accounting policy.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Annual Financial Report

For the Year Ended 30 June 2013

1. Statement of Significant Accounting Policies (continued)

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Presentation of Financial Statements

Presentation currency

Both the functional and presentation currency of BlackWall Property Funds Ltd and its Australian subsidiaries is Australian dollars. The New Zealand subsidiary's functional currency is New Zealand Dollars, which is translated to presentation currency (refer to Foreign Currency Translation note below).

Principles of Consolidation

Controlled entities

The consolidated financial statements comprise the financial statements of BlackWall Property Funds Ltd and its subsidiaries as at 30 June 2013. A list of controlled entities is contained in Note 28 to the financial statements. All controlled entities have a June financial year end and use consistent accounting policies. Investments in subsidiaries held by the Group are accounted for at cost less any impairment charges (refer to Note 30).

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where controlled entities have entered or left the economic entity during the year, its operating results have been included from the date control was obtained or until the date control ceased.

A controlled entity is an entity BlackWall Property Funds Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities.

Inter-company balances

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Non-controlling interests

Non-controlling interests (not held by the Group) are allocated their share of net profit and comprehensive income after tax in the statement of profit or loss and other comprehensive income and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity. Comprehensive income after tax in the statement of profit or loss and other comprehensive income are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Annual Financial Report

For the Year Ended 30 June 2013

1. Statement of Significant Accounting Policies (continued)

Foreign Currency Translation

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year end exchange rates prevailing at the reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the profit or loss (on a net basis) in the period in which the operation is disposed of.

Property, Plant and Equipment

General information

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in profit and loss as incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

Useful life

The estimated useful lives used for each class of depreciable assets are:

Furniture, Fixtures and Fittings	over 2 to 40 years
Office Equipment	over 2 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Annual Financial Report

For the Year Ended 30 June 2013

1. Statement of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, either the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, or the income of the asset is capitalised at its relevant capitalisation rate.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Recognition

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flow from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Loans and receivables

Loans and receivables including loans to related entities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Annual Financial Report

For the Year Ended 30 June 2013

1. Statement of Significant Accounting Policies (continued)

Financial Instruments (continued)

Available-for-sale financial assets

Up until 31 December 2012 the Group's investments in related parties listed and unlisted unit trusts were classified as available-for-sale financial assets. Subsequent to initial recognition, they were measured at fair value. Unrealised gains and losses arising from changes in fair value were recognised in other comprehensive income and accumulated in equity, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which were recognised in profit or loss. Where the investment was disposed of or was determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve was reclassified to profit or loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments in related party unlisted unit trusts, fair values are determined by reference to published unit prices of these investments which are based on the net tangible assets of each of the investments.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

An impairment loss in respect of a financial instrument measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial instruments are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial instruments measured at amortised cost, the reversal is recognised in profit and loss.

Classification – from 1 January 2013

From 1 January 2013 the Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value and those to be measured at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Annual Financial Report

For the Year Ended 30 June 2013

1. Statement of Significant Accounting Policies (continued)

Financial Instruments (continued)

(i) Debt investments – at fair value through profit or loss

The Bakehouse Bonds are classified as debt investment at fair value through profit or loss.

(ii) Equity investments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss.

Measurement – from 1 January 2013

At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss within other income or other expenses in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable.

Change in accounting policy

The policies were changed to comply with *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*. This version of AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities and the derecognition of financial instruments. It requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

While AASB 9 does not need to be applied until financial reporting periods commencing on or after 1 January 2015, the Group has decided to adopt it early from 1 January 2013. On that date, the Group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of AASB 9 (1 January 2013). The main effects resulting from this assessment were:

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Annual Financial Report

For the Year Ended 30 June 2013

1. Statement of Significant Accounting Policies (continued)

Financial Instruments (continued)

- All equity and debt investments ($8,043,000 as at 1 January 2013) had to be reclassified from available-for-sale to financial assets at fair value through profit or loss ("financial assets at FVTPL"). Fair value movements on these investments can no longer be recorded through other comprehensive income (OCI). They also do not meet the criteria to be classified as at amortised cost in accordance with AASB 9, because the objective of the business model is not to hold these instruments in order to collect their contractual cash flows. Related fair value gains of $443,000 were transferred from the available-for-sale financial assets reserve to retained earnings/(accumulated losses) on 1 January 2013. Since 1 January 2013, fair value gains after tax related to these investments amounting to $697,000 were recognised in profit or loss.

- The Group did not have any financial assets in the balance sheet that were previously designated as fair value through profit or loss but are no longer so designated. Neither did it designate any other financial asset at fair value through profit or loss on initial application of AASB 9.

The adoption of the revised AASB 9 did not affect the Group's accounting for its financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The Group does not have any such liabilities.

The impact of these changes in the Group's accounting policy on non-current assets in the financial statements are as follows:

	Current year impact $'000				Prior year restatement $'000		
	December 2012	Reclassification	Increase	June 2013	June 2012	Reclassification	June 2012 (Restated)
Balance sheet (extract)							
Non-current Assets							
Financial Assets at FVTPL (*)	-	8,043	2,034	10,077	-	-	-
Available-for-sale Financial Assets	8,043	(8,043)	-	-	-	-	-
	8,043	-	2,034	10,077	-	-	-
Reserves	443	(443)	-	-	(92)	92	-
Retained Earnings/(Accumulated Loss) (**)	(2,005)	443	1,129	(433)	(2,151)	(92)	(2,243)
	(1,562)	-	1,129	(433)	(2,243)	-	(2,243)

* Increase in financial assets at FVTPL includes both purchases of $1,038,000 and fair value gain before tax of $996,000.

** Increase in retained earnings includes earnings of $1,384,000 less dividend paid of $255,000 since December 2012.

Intangibles

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment or more frequently if circumstances indicate it might be impaired and carried at cost less accumulated impairment losses.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Annual Financial Report

For the Year Ended 30 June 2013

1. Statement of Significant Accounting Policies (continued)

Goodwill (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units. Each unit to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with AASB 8 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash generating unit and that unit is disposed of, the goodwill associated with the unit disposed of is included in the carrying amount of the unit when determining the gain or loss on disposal of the unit. Impairment losses recognised for goodwill are not subsequently reversed. As at 30 June 2013, the goodwill in relation to the purchase of the subsidiaries has not been impaired.

Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies. The Group generally deems they have significant influence if they have between 20% to 50% of the voting rights.

Under the equity method of accounting, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Interests in Joint Ventures

The Group has an interest in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operations by recognising its interests in the assets and the liabilities of the joint ventures. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of services by the jointly controlled operations.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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1. Statement of Significant Accounting Policies (continued)

Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectable.

Trade and Other Payables

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Group at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

Interest Bearing Borrowings

Interest bearing borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost.

Employee Benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to defined contribution plans are recognised as a personnel expense in profit and loss when they are due.

Other long term employee benefits

The Group's net obligation in respect of long term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. These employee benefits have not been discounted to the present value of the estimated future cash outflows to be made for those benefits.

Short term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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1. Statement of Significant Accounting Policies (continued)

Revenue

Fund and asset management income is recognised when it becomes legally due and payable to the Group.

Property management income is recognised monthly in arrears.

Serviced office income comprises rental and recovery of outgoings from property tenants.

Investment income

Finance income comprises interest on funds invested, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit and loss.

Interest income is recognised as interest accrues using the effective interest method. Dividend and distribution revenue is recognised when the right to receive income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

Income Tax

Current income tax expense

The charge for current income tax expense is based on the profit year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Accounting for deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax calculation

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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1. Statement of Significant Accounting Policies (continued)

Benefit brought to account

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

BlackWall Property Funds Limited has elected to form a tax consolidated group with its wholly-owned entities for income tax purposes under the tax consolidation regime with effect from 1 January 2011. As a consequence, all members of the tax consolidated group are taxed as a single entity from that date. The head entity within the tax consolidated group is BlackWall Property Funds Limited.

In addition to its own current and deferred tax amounts, BlackWall Property Funds Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group in conjunction with any tax funding arrangement amounts.

The Group recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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1. Statement of Significant Accounting Policies (continued)

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the Group already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments. Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments. The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

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1. Statement of Significant Accounting Policies (continued)

New Accounting Standards and Interpretations (continued)

(ii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called ‘corridor’ method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Had the Group adopted the new rules in the current reporting period, the impact to profit or loss and other comprehensive income would have been immaterial. The Group has not yet decided when to adopt the new standard.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

2. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

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Notes to the Consolidated Annual Financial Report

For the Year Ended 30 June 2013

2. Critical Accounting Estimates and Judgments (continued)

Key estimates - Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. The Directors believed it appropriate to raise no impairment provisions for the year ended 30 June 2013.

Key estimates –financial assets

Financial asset provisions have been raised with reference to the prevailing prices at 30 June 2013 of financial assets at FVTPL with gains and losses recognised in profit or loss (gains or losses arising from available-for-sale assets to other comprehensive income before adoption of AASB 9 on 1 January 2013). See Note 1 for details of change of accounting policies. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. The fair value of the listed securities is based on the closing price from the Australian Securities Exchange as at the reporting date. The fair value of the Bakehouse Bonds is measured by its face value adjusted for CPI movements.

3. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group management and internal reporting structure. There is only one geographical segment being Australasia.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has adopted three reporting segments, Fund and Property Management, Investments and Unallocated. Following the acquisition of funds management operations, the Group's fee earning activities are primarily derived from property assets held within funds or held on balance sheet. As such the Group's operations and reporting lines are better represented by consolidating all of the fee earning, operating property businesses within the Fund and Property Management segment and returns derived by holding investments in property securities under the segment referred to as Investments.

The Fund and Property Management segment engages in funds and asset management as well as property services that include property management, leasing and general property consultancy. Management treats these operations as one "fee earning" operating segment.

The Investments segment includes interests in property related investments such as units in related party listed and unlisted unit trusts, loans and cash. It generates income from dividends, distributions, and interest.

The Unallocated segment represents general administrative functions at the head office (e.g. salaries).

Transfer prices between business segments are set at an arm's length basis.

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3. Segment Information (continued)

The segment information for the year ended 30 June is as follows:

	Fund and Property Management $'000	Investments $'000	Unallocated $'000	Consolidated Total $'000
Year ended 30 June 2013				
Sales to external customers	5,573	451	-	6,024
Unrealised gain on revaluation of financial assets	-	996	-	996
Inter-segment sales	295	-	-	295
Total segment revenue	5,868	1,447	-	7,315
Inter-segment eliminations				(295)
Total consolidated revenue				**7,020**
Business operating expenses	(3,352)	(83)	(932)	(4,367)
Depreciation	(176)	-	(44)	(220)
Finance costs	(49)	-	-	(49)
Other expenses	(10)	-	(1)	(11)
Inter-segment expenses	(295)	-	-	(295)
Total segment expenses	(3,882)	(83)	(977)	(4,942)
Inter-segment eliminations				295
Total consolidated expenses				**(4,647)**
Profit / (loss) before income tax	**1,986**	**1,364**	**(977)**	**2,373**
Other comprehensive income				
Net gain on available-for-sale financial assets	-	535	-	535
Total comprehensive income / (loss) for the year before tax	**1,986**	**1,899**	**(977)**	**2,908**
Year ended 30 June 2012				
Sales to external customers	5,636	372	-	6,008
Gain on disposal of management rights	-	530	-	530
Inter-segment sales	84	-	-	84
Total segment revenue	5,720	902	-	6,622
Inter-segment eliminations				(84)
Total consolidated revenue				**6,538**
Business operating expenses	(3,757)	(94)	(1,040)	(4,891)
Depreciation	(260)	-	-	(260)
Finance costs	(60)	-	-	(60)
Loss on sale of investments	-	(44)	-	(44)
Impairment	(400)	(3,477)	-	(3,877)
Other expenses	(2)	-	(1)	(3)
Inter-segment expenses	(84)	-	-	(84)
Total segment expenses	(4,563)	(3,615)	(1,041)	(9,219)
Inter-segment eliminations				84
Total consolidated expenses				**(9,135)**
Profit / (loss) before income tax	**1,157**	**(2,713)**	**(1,041)**	**(2,597)**
Other comprehensive income / (loss)				
Net loss on available-for-sale financial assets	-	(32)	-	(32)
Total comprehensive income / (loss) for the year before tax	**1,157**	**(2,745)**	**(1,041)**	**(2,629)**

30 June 2013				
Segment assets	3,322	10,079	-	13,401
Segment liabilities	(2,350)	-	-	(2,350)
Net assets	972	10,079	-	11,051
30 June 2012				
Segment assets	3,734	7,401	-	11,135
Segment liabilities	(1,903)	-	-	(1,903)
Net assets	1,831	7,401		9,232

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For the Year Ended 30 June 2013

4. Revenue

4 (a) Revenue	Note	2013 $'000	2012 $'000
Revenue from continuing operation:			
Fund and asset management income		2,666	2,746
Property management income		1,837	2,073
Serviced office income		1,070	787
Investment income			
- Dividends and distributions		303	344
- Finance income		28	32
		331	376
Unrealised gain on revaluation of financial assets	4(b)	996	-
Other revenue:			
Other income		-	26
Gain on disposal of investments (*)		120	-
Gain on disposal of management rights		-	530
		120	556
Total revenue		**7,020**	**6,538**

* In January 2013, the Group sold its investments in Bakehouse Cellars Pty Ltd for a total cash consideration of $400,000.

4(b) Unrealised gain / (loss) on financial assets

As a result of early adoption of AASB 9 at 1 January 2013, unrealised movements on revaluation of financial assets have now been recognised in profit or loss instead of other comprehensive income. See Note 1 for details of change of accounting policies. Total unrealised gain / (loss) on financial assets are as follows:

	Note	2013 $'000	2012 $'000
Unrealised gain recognised in profit or loss		996	-
Impairment of investment in P-REIT recognised in profit or loss	5	-	(3,477)
Unrealised loss recognised in other comprehensive income		535	(32)
Total unrealised gain / (loss) on financial assets		1,531	(3,509)

5. Expenses

	Note	2013 $'000	2012 $'000
Business operating expenses:			
Employee & consultants' costs		2,705	3,008
Occupancy costs		978	1,007
Administration expenses		684	876
		4,367	4,891
Depreciation		220	260
Finance costs		49	60
Impairment			
– writedown of loans and receivables	11	-	400
– investment in P-REIT	11	-	3,477
		-	3,877

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6. Income Tax Expense

	2013 $'000	2012 $'000
Current tax	1,003	373
Deferred tax	(303)	22
Overprovision of prior year tax	(152)	(26)
Total income tax expense	**548**	**369**
Prima facie tax payable on profit / (loss) from ordinary activities before income tax at 30% (2012: 30%)	712	(779)
Add / (less) tax effect of:		
- Entertainment	3	5
- Penalties	-	1
- Impairment	-	1,163
- Costs of issuing equity	(15)	(15)
- Overprovision of prior year tax	(152)	(26)
Total income tax expense	**548**	**369**

7. Current Assets - Cash and Cash Equivalents

	2013 $'000	2012 $'000
Cash on hand	1	1
Cash at bank	1,076	1,161
Total cash and cash equivalents	**1,077**	**1,162**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

8. Current and Non-current Assets - Trade and Other Receivables

Current	2013 $'000	2012 $'000
Trade receivables, net of impairment:		
- Related parties	526	244
- Other parties	473	621
Total trade receivables	999	865
Other receivables, net of impairment:		
- Related parties	250	200
- Other parties	114	5
Total other receivables	364	205
Total current trade and other receivables	**1,363**	**1,070**

Non-current	2013 $'000	2012 $'000
Other receivables:		
- Related parties	-	50
Total non-current other receivables	**-**	**50**

Further information relating to trade and other receivables to related parties is set out in Note 29. None of the receivables were impaired as at 30 June 2013 (2012: $nil).

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9. Current Assets - Other Assets

	2013 $'000	2012 $'000
Prepayments	-	40
Total other assets	**-**	**40**

10. Non-current Assets - Equity Accounted Investments

Name	Principal	Country of Incorporation	Ownership Interest 2013 %	Ownership Interest 2012 %	Carrying Amount of Investment 2013 $'000	Carrying Amount of Investment 2012 $'000
APG Asset Management Pty Ltd	Financial services and management company	Australia	50	50	5	5
Bakehouse Cellars Pty Ltd	Pub owner operator	Australia	-	40	-	280
Total equity accounted investments					**5**	**285**

In January 2013, the Group sold its investments in Bakehouse Cellars Pty Ltd for a total cash consideration of $400,000.

11. Non-current Assets - Financial Assets

	Note	2013 $'000	2012 $'000
Loans and receivables	11(a)	2	47
Financial assets at FVTPL	11(b)	10,077	-
Available-for-sale assets	11(b)	-	7,364
Total financial assets		**10,079**	**7,411**

(a) Loans and receivables, net of impairment

	2013	2012
Loans and receivables to related parties	2	47
Total loans and receivables	**2**	**47**

(b) Financial assets at FVTPL / Available-for-sale assets

	Financial assets at FVTPL 2013 $'000	Available-for-sale assets 2012 $'000
Bakehouse Bonds	5,181	5,059
P-REIT Units	3,417	1,717
Pelathon Management Group Pty Ltd	10	10
BlackWall Storage Fund Units	111	111
BlackWall Telstra House Trust Units	104	104
BlackWall Pub Group Units	879	219
Tankstream Property Investments Fund Units	375	144
Total financial assets	**10,077**	**7,364**

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11. Non-current Assets - Financial Assets (continued)

As a result of early adoption of AASB 9 from 1 January 2013, all available-for-sale financial assets have been reclassified to financial assets at fair value through profit or loss. See Note 1 change of accounting policies for details.

Further information relating to loans and receivables to related parties is set out in Note 29.

The Group holds an investment in P-REIT which was listed on the Australian Securities Exchange (ASX) on 28 October 2011 (ASX code: PXT). TFML Limited (a subsidiary of the Group) acts as the responsible entity for P-REIT. Since listing the P-REIT unit price has traded well below its Net Tangible Assets (NTA) and was $0.155 at 30 June 2013. TFML (as P-REIT's Responsible Entity) is a defendant in a Supreme Court action initiated by the MacarthurCook Property Securities Fund. The proceedings relate to a series of transactions entered into before BlackWall's businesses assumed management of the trust. On 10 August 2012 Judgment was entered against TFML for approximately $17.8 million including Judgment court interest (to the date of Judgment) but excluding costs. TFML has estimated costs and interest to be in the order of $1.9 million bringing the total provision for the Judgment to $19.7 million. TFML's appeal of this decision was heard in early April 2013 and the appeal decision is expected soon.

The Bakehouse Bonds are CPI linked debt instruments secured against a large scale mixed use property known as the Bakehouse Quarter in North Strathfield, Sydney. The Bonds' face value of $5 million is indexed to CPI and the current value at 30 June 2013 is $5.18 million. The Bonds will mature on 30 June 2020. In addition, a coupon of 5.5% per annum is paid quarterly in arrears.

12. Non-current Assets - Property, Plant and Equipment

	2013 $'000	2012 $'000
Furniture, fixtures and fittings:		
- At cost	918	987
- Less accumulated depreciation	(457)	(372)
	461	615
Office equipment:		
- At cost	94	177
- Less accumulated depreciation	(52)	(109)
	42	68
Total property, plant and equipment	**503**	**683**

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12. Non-current Assets - Property, Plant and Equipment (continued)

	Furniture, fixtures and fittings $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
30 June 2013				
Balance at the beginning of year	615	68	-	683
Additions	33	7	-	40
Depreciation expense	(187)	(33)	-	(220)
Balance at the end of year	461	42	-	503
30 June 2012				
Balance at the beginning of year	563	91	23	677
Additions	292	15	-	307
Disposals	(18)	-	(23)	(41)
Depreciation expense	(222)	(38)	-	(260)
Balance at the end of year	615	68	-	683

13. Non-current Assets /(Liabilities) - Deferred Tax Assets / (Liabilities)

	2013 $'000	2012 $'000
Deferred tax assets / (liabilities) balance comprises:		
Employee entitlements	66	56
Accrued expenses	23	27
Accrued income	(33)	(23)
Unrealised gains on revaluation of financial assets	(299)	-
Total deferred tax assets / (liabilities)	**(243)**	**60**
Movements:		
Balance at the beginning of year	60	38
Credited / (charged) to the profit and loss	(303)	22
Balance at the end of year	**(243)**	**60**

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14. Non-current Assets - Intangible Assets

	2013 $'000	2012 $'000
Goodwill:		
- At cost	374	374
Total intangible assets	**374**	**374**

	Goodwill $'000
30 June 2013	
Balance at the beginning of year	374
Balance at the end of year	374
30 June 2012	
Balance at the beginning of year	411
Disposal	(37)
Balance at the end of year	374

The recoverable amount of the operating business cash-generating units (CGUs) is determined based on value in use ('VIU') calculations. For the operating business CGUs, the assumptions used for determining the recoverable amount of each CGU are based on past experience and expectations for the future, utilising both internal and external sources of data.

No impairment arose as a result of the review of goodwill for the operating business CGUs for the year.

The following describes the key assumptions on which management has based its cash flow projections when determining VIU relating to the operating business CGUs.

Cash Flows

The VIU calculations use after-tax cash flow projections based on actual operating results, and financial forecasts covering a five year period which have been approved by management. These forecasts are based on management estimates to determine income, expenses, capital expenditure and cash flows for each CGU.

Growth Rate

The growth rate used to extrapolate the cash flows beyond the five-year period is 3%. The growth rate reflects the forecast long term average growth rate for each CGU.

Discount Rate

The discount rate applied to the cash flow projections is 13% (government bond rate of 4% plus a 9% risk factor).

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15. Current Liabilities - Trade and Other Payables

	2013 $'000	2012 $'000
Trade payables:		
- Related parties	69	12
- Other parties	1,225	867
	1,294	879
Sundry payables and accrued expenses	73	50
Rental income in advance	31	21
Total trade and other payables	**1,398**	**950**

Further information relating to trade payables from related parties is set out in Note 29.

16. Current Liabilities - Current Tax Payable

	2013 $'000	2012 $'000
Income tax payable	137	261
Total current tax payable	**137**	**261**

17. Current Liabilities - Borrowings

	2013 $'000	2012 $'000
Borrowings	250	425
Total borrowings	**250**	**425**

Borrowings are under a debt facility with National Australia Bank. The facility will expire on 31 May 2014 and is therefore classified as a current liability. The facility is subject to half yearly principal repayments of $25,000. During the year the Group repaid $175,000 to reduce the borrowings to $250,000.

18. Current and Non-current Liabilities - Provisions

	2013 $'000	2012 $'000
Current – employee benefits	185	177
Non-current – employee benefits	35	9
Total provisions	**220**	**186**

	Provisions $'000
30 June 2013	
Balance at the beginning of year	186
Net additional provisions recognised	34
Balance at the end of year	220
30 June 2012	
Balance at the beginning of year	156
Net additional provisions recognised	30
Balance at the end of year	186

The number of employees for the Group as at 30 June 2013 is 14 (2012: 17).

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19. Non-current Liabilities - Other Payables

	2013 $'000	2012 $'000
Tenant deposits	102	81
Total other payables	**102**	**81**

20. Share Capital

(a) Summary Table

	2013 $'000	2012 $'000
51,020,445 (30 June 2012: 51,326,021) Ordinary	11,338	11,367
Total issued capital	**11,338**	**11,367**

(b) Movement in shares on issue

	2013 No.	2012 No.
At the beginning of reporting period	51,326,021	44,358,535
Shares issued during the year	-	6,967,486
Shares cancelled during the year	(305,576)	-
At reporting date	**51,020,445**	**51,326,021**

During the period, the Company purchased 305,576 ordinary shares on-market as part of the Company's share buy back that commenced in February 2012. The shares were acquired at 9.5 cents per share. The total cost of $29,000 (including transaction costs), was deducted from ordinary shareholder equity.

Subsequent to 30 June 2013, the Company purchased a further 625,000 ordinary shares for a total cost of $90,864, bringing the shares on issue to 50,345,445.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

All shares are fully paid and have no par value.

21. Dividends

Dividends paid to members during the financial year were as follows:

	Parent entity	
	2013 $'000	2012 $'000
Fully franked dividend of 0.5 cents per fully paid share paid on 31 October 2012	257	-
Fully franked dividend of 0.5 cents per fully paid share paid on 28 March 2013	255	-
Total dividend paid	**512**	**-**

In addition, the Board has declared a fully franked dividend of 0.6 cents per share to be paid on 31 October 2013.

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21. Dividends (continued)

	Parent entity 2013 $'000	Parent entity 2012 $'000
Franking credits available for the subsequent reporting periods based on a tax rate of 30% (2012: 30%)	**661**	**672**

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:
(a) franking credits that will arise from the payment of the amount of the provision for income tax,
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

22. Earnings / (Loss) Per Share

	2013	2012
Basic and diluted earnings/(loss) per share	$0.04	($0.06)
Calculated as follows:		
Profit/(loss) attributable to the owners of the Group	$1,787,000	($3,010,000)
Weighted average number of shares for basic and diluted earnings per share	50,188,493	50,372,676

23. Auditors' Remuneration

	2013 $'000	2012 $'000
Remuneration of ESV (the auditor of the Group) for:		
- auditing or reviewing the financial statements for the Group	66	62
- taxation and compliance services	10	13
Total ESV remuneration	**76**	**75**
Remuneration of non-ESV firm for:		
- auditing the financial statements for the Group	-	18
- other assurance services	6	6
- taxation and compliance services	2	3
Total non-ESV remuneration	**8**	**27**
Total auditors' remuneration	**84**	**102**

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24. Commitments

(a) Operating lease commitments

Operating leases relate to tenancy leases with lease terms of between 1 and 5 years. All operating lease contracts contain clauses for yearly CPI reviews.

	2013 $'000	2012 $'000
Lease commitments payable:		
- payable within 1 year	951	940
- payable within 2 – 5 years	1,850	2,773
Total lease commitments payable	**2,801**	**3,713**

(b) Capital lease commitments

No capital commitments were in existence as at 30 June 2013 (2012: Nil).

25. Reconciliation of Operating Cash Flows

	2013 $'000	2012 $'000
Profit / (loss) for the year	1,825	(2,966)
Non-cash flows in profit:		
Non-cash income	(585)	(74)
Unrealised loss in foreign exchange	-	4
Gain on disposal of management rights	-	(530)
Depreciation	220	260
Loss / (gain) on disposal of assets	(120)	44
Unrealised gain on revaluation of financial assets	(996)	-
Impairment	-	3,877
Changes in assets and liabilities:		
Increase in trade receivables	(135)	(114)
Increase in other receivables	(6)	(9)
(Increase)/decrease in prepayments	40	(33)
Increase in related party loans	-	(8)
(Increase)/decrease in deferred tax balances	303	(22)
Increase in unearned revenue	9	4
Decrease in trade payables and accruals	(131)	(34)
Decrease in income taxes payable	(123)	(78)
Increase in provisions	34	30
Net cash flows from operating activities	**335**	**351**

26. Contingent Liabilities and Contingent Assets

The Group in its capacity as investment manager of the BlackWall Storage Fund ("BSF") is entitled to a performance fee based on the uplift in BSF's underlying properties. The fee is payable on expiry of BSF in October 2013. Current property valuations will result in a performance fee in excess of $1 million payable to BlackWall and its subsidiaries.

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27. Subsequent Events

On 8 July 2013, the Company purchased a further 625,000 ordinary shares on-market at 14.5 cents per share. The total cost of $90,864 (including transaction costs), was deducted from ordinary shareholder equity.

To the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the year that have materially affected or may materially affect the Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

28. Controlled Entities

Name	Country of incorporation	Percentage Owned 2013 %	2012 %
Parent entity:			
BlackWall Property Funds Limited	Australia	100	100
Subsidiaries of parent entity:			
BlackWall Management Services Pty Ltd	Australia	100	100
Capital Storage Services Pty Ltd	Australia	51	51
TFML Limited	Australia	100	100
WTSO Pty Ltd	Australia	100	100

29. Related Party Transactions

(a) Related Entities, Associates and Joint Venture Entities, Managed Funds

The Group provides a wide range of corporate services to its related entities, associates, joint venture entities and managed funds.

Associates and Joint Venture Entities
Interests held in associates and joint venture entities by the Group are set out in Note 10 to the financial statements.

Managed Funds
The Group holds investments in a number of property funds for which it acts as either manager or responsible entity (refer to Note 11).

Fees and Transactions
Management fees are charged to these entities predominantly for property and fund management services. The management fees are paid under a management agreement and the fees charged are determined with reference to arm's length commercial rates.

These services principally relate to:

- Investment management: provision of strategic investment advice, asset management and investment portfolio services.
- Asset management: provision of property management services, property portfolio advisory services, maintenance and insurances, strategic advice and management supervision services, administration, marketing and risk management services.

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29. Related Party Transactions (continued)

(a) Related Entities, Associates and Joint Venture Entities, Managed Funds (continued)

The Group recharges its related entities, associates, joint venture entities and managed funds, for administration services which include accounting and bookkeeping fees, corporate secretarial services, and those expenses that are incurred by members of the Group on behalf of the related entities, associates, joint venture entities and managed funds.

In addition, the Group pays the following fees to related entities:

- Rent for use of the Group's Bakehouse Quarter serviced offices and Neutral Bay head office and serviced office premises. The rent paid is determined with reference to arm's length commercial rates.
- Consulting fees and recharges.

Other transactions and outstanding balances with related entities, associates, joint venture entities and managed funds relate to loans payable and receivable and distributions from managed funds.

All transactions with related parties were made on normal commercial terms and conditions and at market rates, and were approved by the Board where applicable.

The following represents the transactions that occurred during the financial year and the balances outstanding at the year end between the Group and its related entities.

	2013 $'000	2012 $'000
Revenue:		
- Management fees and recharges	3,388	3,910
- Distribution from managed funds	28	71
- Interest	275	285
- Gains on disposal of management rights	-	530
Expenses:		
- Rent and outgoings paid	1,032	945
- Consulting fees and recharges	14	117
Outstanding balances:		
- Trade and other receivables - current (note 8)	776	444
- Trade and other receivables - non-current (note 8)	-	50
- Loans and receivables - non-current (note 11)	2	47
- Trade and other payables - current (note 15)	69	12

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29. Related Party Transactions (continued)

(b) Other related party transactions

Related party transactions that occurred during the year other than those described in Note 29(a) above are as follows:

Date of transaction	Purchaser/Seller	Financial Assets	Units Purchased No.	Total Consideration Paid $'000
31 August 2012	BlackWall/ BlackWall Pub Group	BlackWall Pub Group	2,394,167	144
31 May 2013	BlackWall / Tankstream Property Investments Fund	Tankstream Property Investments Fund	761,016	145
30 June 2013	BlackWall/ Blackwall Pub Group	BlackWall Pub Group	4,714,286	330

Note - all transactions were the conversion of fees into units.

30. Parent Entity Disclosures

The following summarises the financial information of the Group's parent entity, BlackWall Property Funds Limited, as at and for the year ended 30 June:

	2013 $'000	2012 $'000
Results:		
Profit / (loss) after tax	465	(2,592)
Other comprehensive income after tax	182	42
Total comprehensive income /(loss) after tax	**647**	**(2,550)**
Financial position:		
Current assets	120	1,000
Non-current assets	10,127	8,304
Total assets	**10,247**	**9,304**
Current liabilities	(1,002)	(383)
Non-current liabilities	(218)	-
Total liabilities	**(1,220)**	**(383)**
Net assets	**9,027**	**8,921**
Share capital	11,338	11,367
Accumulated losses	(2,311)	(2,446)
Total equity	**9,027**	**8,921**

The parent entity had no contingencies or capital commitments at 30 June 2013 (2012: Nil).

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31. Directors and Key Management Personnel

(a) Key management personnel relevant interests

Key management personnel include both Directors (refer Directors' Report) and Tim Brown (Chief Financial Officer). Key management personnel have relevant interests in shares of the Company as set out in the following table:

	Balance at 30 June 2012 No. '000	Net change * No. '000	Balance at 30 June 2013 No. '000
Joseph (Seph) Glew	6,233	31	6,264
Robin Tedder	1,779	5,243	7,022
Richard Hill	1,644	-	1,644
Stuart Brown	678	2	680
Tim Brown	83	-	83
Total shareholding	**10,417**	**5,276**	**15,693**

* Net change refers to changes in relevant interests in shares during the financial year.

(b) Key management personnel compensation

	Short-term benefits		Post-employment benefits	Total
	Directors' fees $'000	Salary and other $'000	Superannuation $'000	$'000
30 June 2013				
Joseph (Seph) Glew	75	-	-	75
Robin Tedder	75	-	-	75
Richard Hill	85	-	-	85
Stuart Brown	-	321	29	350
Tim Brown	-	190	17	207
	235	**511**	**46**	**792**
30 June 2012				
Joseph (Seph) Glew	75	-	-	75
Robin Tedder	75	-	-	75
Richard Hill	85	-	-	85
Stuart Brown	-	321	29	350
Tim Brown	-	179	16	195
	235	**500**	**45**	**780**

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32. Financial Risk Management

(a) Financial risk management

The main risks the Group are exposed to through its financial instruments are market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's principal financial instruments are cash, financial assets and borrowings. Additionally, the Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board has overall responsibility for the establishment and oversight of the risk management framework. It monitors the Group's risk exposure by regularly reviewing finance and property markets. The Group holds the following major financial instruments:

	2013 $'000	2012 $'000
Financial assets		
Cash and cash equivalents	1,077	1,162
Financial assets at FVTPL (*)	10,077	-
Available-for-sale assets (*)	-	7,364
Financial liabilities		
Borrowings	250	425

* As a result of early adoption of AASB 9 from 1 January 2013, all available-for-sale financial assets have been reclassified to financial assets at fair value through profit or loss. See Note 1 change of accounting policies for details.

(b) Market risk

(i) Foreign exchange risk

The Group has dealings with a company that operates in New Zealand however the exposure to foreign exchange risk is not material.

(ii) Interest rate risk

The Group has exposure to market risk for changes in variable interest rates on borrowings. The weighted average effective interest rates for cash and borrowings were 2.6% (2012: 3.5%) and 7.41% (2012: 7.53%) respectively. The impact from movement in interest rates is not material based on the current borrowings balance. The major financial assets is the Group's $5 million interest in Bakehouse Bonds which is subject to a fixed coupon rate of 5.5% p.a., and as a result is not directly exposed to the interest rate risk. However the Bonds' value is linked to the inflation and therefore affected by the inflation rate.

(iii) Price risk

The Group is not exposed to any major price risk except for a material change in the property valuation of the Bakehouse Quarter, which could potentially lead to a decrease in the Bakehouse Bonds' value on their maturity. In relation to investment in P-REIT, if the share price decreases by 10% this will result in an unrealised loss of $342,000.

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32. Financial Risk Management (continued)

(c) Credit risk

The Group is not exposed to any major credit risk except for the Bakehouse Bonds. The credit risk for the Bakehouse Bonds is of the same nature as the price risk described above.

(d) Liquidity risk

The Group has borrowings that are due for renewal within 12 months. Management is confident that the borrowings will be renewed. In addition, the Group repaid $175,000 during the year to reduce the borrowings to $250,000. Refer to Note 17 for further details.

	Maturing within 1 year $'000	Maturing 1 – 5 years $'000	Maturing over 5 years $'000	Total $'000
At 30 June 2013				
Financial assets				
Cash and cash equivalents	1,077	-	-	1,077
Trade and other receivables	1,363	-	-	1,363
Loans and receivables	-	2	-	2
Financial assets at FVTPL	-	4,896	5,181	10,077
	2,440	**4,898**	**5,181**	**12,519**
Financial liabilities				
Trade and other payables	1,398	-	-	1,398
Borrowings	250	-	-	250
	1,648	**-**	**-**	**1,648**
At 30 June 2012				
Financial assets				
Cash and cash equivalents	1,162	-	-	1,162
Trade and other receivables	1,070	50	-	1,120
Loans and receivables	-	47	-	47
Available-for-sale assets	-	-	7,364	7,364
	2,232	**97**	**7,364**	**9,693**
Financial liabilities				
Trade and other payables	950	-	-	950
Borrowings	425	-	-	425
	1,375	**-**	**-**	**1,375**

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32. Financial Risk Management (continued)

(e) Fair value measurements

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2), and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities measured at fair value as at 30 June. Refer to Note 2 for further details of assumptions used and how fair values are measured.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
At 30 June 2013				
Financial assets at FVTPL	3,417	1,479	5,181	10,077
At 30 June 2012				
Available-for-sale assets	1,717	588	5,059	7,364

The following table is a reconciliation of the movements in financial assets classified as Level 3 for the year ended 30 June:

At 30 June 2013	Financial assets at FVTPL $'000	Available-for-sale assets $'000	Level 3 Total $'000
Balance at the beginning of year	-	5,059	5,059
Reclassification (*)	5,060	(5,060)	-
Fair value movement	121	1	122
Balance at the end of year	**5,181**	**-**	**5,181**

* As a result of early adoption of AASB 9 from 1 January 2013, all available-for-sale financial assets have been reclassified to financial assets at fair value through profit or loss. See Note 1 change of accounting policies for details.

At 30 June 2012	Available-for-sale assets $'000	Level 3 Total $'000
Balance at the beginning of year	5,000	5,000
Fair value movement	59	59
Balance at the end of year	**5,059**	**5,059**

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial assets that are not traded in active markets are based on published unit prices at year end (Level 2).

There were no transfers between Level 1, 2 and 3 financial instruments during the year.

For all other financial assets and liabilities, the carrying value is an approximation of fair value.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

Stuart Brown
Director
Sydney, 23 August 2013

chartered accountants

Level 18, City Centre,
55 Market Street, Sydney NSW 2000
T +61 2 9283 1666 F +61 2 9283 1866
E admin@esvgroup.com.au
www.esvgroup.com.au

Independent Audit Report to the Members of Blackwall Property Funds Limited and Controlled Entities

Report on the Financial Report

We have audited the accompanying financial report of Blackwall Property Funds Limited and Controlled Entities ("the Group"), which comprises the statement of financial position as at 30 June 2013, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entities.

Directors' Responsibility for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements, and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

Independent Audit Report to the Members of Blackwall Property Funds Limited and Controlled Entities

Opinion

In our opinion:

(a) the financial report of Blackwall Property Funds Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Group for the year ended 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in page 10 of the directors' report for the year ended 30 June 2013. The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Blackwall Property Funds Limited and Controlled Entities for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Dated at Sydney the 23rd day of August 2013

ESV

ESV Chartered Accountants

Chris Kirkwood
Partner

BlackWall Property Funds

& Controlled Entities

ACN 146 935 131 **ABN** 37 146 935 131

Level 1, 50 Yeo Street, Neutral Bay, Sydney NSW 2089 Australia
PO Box 612, Neutral Bay, Sydney NSW 2089 Australia

www.blackwallfunds.com.au